

- (1) "Public hospitals," which shall include all eligible hospitals that meet the definition of a public hospital based on the hospital's circumstances as of July 1, 1997.
  - (2) "Nonpublic hospitals," which shall include all eligible hospitals that meet the definition of a nonpublic hospital based on the hospital's circumstances as of July 1, 1997:
- d. The amount of supplemental lump-sum payment adjustments as referred to in paragraph b. shall first be allocated between the two groups of hospitals referred to in paragraph c. as follows:
- (1) "Public hospitals": 72.17 percent of the amount.
  - (2) "Nonpublic hospitals": 27.83 percent of the amount.
- e. The amount of funds allocated pursuant to paragraph d. to each of the particular groups of hospitals referred to in paragraphs c. and d. shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each of the two particular groups as follows:
- (1) The department shall identify for each eligible hospital the total amount of payment adjustments under this Attachment (exclusive of any payments under this subsection or subsection 4.) applicable to the 1997-98 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.
  - (2) The amount identified for each hospital under subparagraph (1) shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J. (including the modifications arising from the implementation of Section 4721(e) of the federal Balanced Budget Act of 1997), the department has computed for the particular hospital for the 1997-98 payment adjustment year.
  - (3) Where the amount identified under subparagraph (1) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (5) through (8).

- (4) Where the amount identified under subparagraph (1) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount identified under subparagraph (1) minus that amount paid or payable to the hospital under subsection 1. shall be used for purposes of subparagraphs (5) through (8).
- (5) The figures determined under subparagraph (4) for each hospital in the particular group shall be added together to determine an aggregate total for each group.
- (6) The figures determined for each hospital under subparagraph (4) shall be divided by the aggregate total determined under subparagraph (5) for the particular group, yielding a percentage figure for each hospital.
- (7) The percentage figure determined for each hospital under subparagraph (6) shall be applied to the maximum portion of the funds allocated to the particular group under paragraph d., to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Except, however, in the case of a nonpublic hospital that, as of July 1, 1997, met the definition of a children's hospital, the pro rata share otherwise determined shall be multiplied by a factor of 1.09. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded.

- (8) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under subparagraph (1). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this subsection to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.
- f. The department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before August 15, 1998.
- g. Notwithstanding all other provisions of this Attachment, the payment adjustments, data, and related aspects of subsection 4. shall not be taken into account for any purpose under this subsection, subsection 1., or subsection 2.
4. Additional Supplemental Lump-Sum Payment Adjustments - June 30, 1998.
- a. The provisions of this subsection shall apply for the 1997-98 payment adjustment year, and, for all purposes under the program, shall be implemented subsequent to the provisions of subsections 1., 2. and 3. Under this subsection, eligible hospitals that, as of October 1, 1997, were part of a county-operated health system of three or more eligible hospitals licensed to the county, and that are in operation as of June 30, 1998, shall be eligible to receive an additional lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 1997, through June 30, 1998.
- b. The maximum amount of additional supplemental lump-sum payment adjustments under this subsection shall be one hundred sixty-six million dollars.

- c. The maximum amount of funds specified under paragraph b. shall be distributed as additional supplemental lump-sum payment adjustments among the hospitals eligible under this subsection as follows:
- (1) The department shall identify for each eligible hospital the total amount of payment adjustments under this Attachment (exclusive of any payments under this subsection) applicable to the 1997-98 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal medicaid rules, including Sections 447.297(d)(3) and 447.298 of Title 42 of the Code of Federal Regulations.
  - (2) The amount identified for each hospital under subparagraph (1) shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the department has computed for the particular hospital for the 1997-98 payment adjustment year.
  - (3) Where the amount computed under subparagraph (1) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive an additional supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (5) through (8).
  - (4) Where the amount computed under subparagraph (1) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (1) shall be used for purposes of subparagraphs (5) through (8).
  - (5) The figures determined under subparagraph (4) for each hospital eligible to receive additional supplemental lump-sum payment adjustments under this subsection shall be added together to determine an aggregate total.
  - (6) The figures determined for each hospital under subparagraph (4) shall be divided by the aggregate total determined under subparagraph (5), yielding a percentage figure for each hospital.

- (7) The percentage figure determined for each hospital under subparagraph (6) shall be applied to the maximum amount specified in paragraph b., to determine the hospital's pro rata share of the additional supplemental lump-sum payment adjustments.
  - (8) In no event shall a hospital receive additional supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under subparagraph (1). Any additional supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this subsection to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals eligible for distributions under this subsection that have not reached their OBRA 1993 payment limitation.
- d. The department shall make interim and final payments of the additional supplemental lump-sum payment adjustments to hospitals on or before August 15, 1998.

M. Payment Adjustment Program for 1998-99 Payment Adjustment Year

With respect to the 1998-99 payment adjustment year, the program shall proceed in conformance with the provisions of other applicable Sections of this Attachment, except as set forth below.

1. Non-Supplemental Payment Adjustments - July 1, 1998 through June 30, 1999.

Payment adjustments with respect to the period July 1, 1998 through June 30, 1999 (exclusive of the supplemental lump-sum payment adjustments provided for under subsection 2.) shall be structured as set forth below.

- a. The initial maximum size of the payment adjustment program for the 1998-99 payment adjustment year shall be set at one billion seven hundred fifty million dollars (\$1,750,000,000), exclusive of any supplemental payment adjustments under subsection 2.

- b. The department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 1998-99 payment adjustment year, exclusive of any supplemental payment adjustments under subsection 2., by determining for each eligible hospital its total per diem composite amount and multiplying that figure by 80 percent of the hospital's annualized Medi-Cal inpatient paid days. For purposes of this paragraph, such determinations shall be without regard to the OBRA 1993 payment limitations. With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the projected total payment adjustment amount shall be reduced by an amount equal to the amount paid or payable to the hospital under subsection 4. of Section L.
- c. The computed amount referred to in paragraph b. for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the department has computed for the particular hospital for the 1998-99 payment adjustment year.
- d. Where the computed amount referred to in paragraph b. for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under paragraph b. shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of paragraph f. Except, however, with respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the amount as so reduced shall be increased by an amount equal to the amount paid or payable to the hospital under subsection 4. of Section L., and used for purposes of paragraph f.
- e. Where the computed amount referred to in paragraph b. for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in paragraph b. shall be used for purposes of paragraph f. Except, however, with respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the computed amount shall be increased by an amount equal to the amount paid or payable to the hospital under subsection 4. of Section L., and used for purposes of paragraph f.

- f. The amounts determined under paragraphs d. and e. for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the 1998-99 payment adjustment year, exclusive of any supplemental payment adjustments under subsection 2.
- g. The department shall increase or decrease the amount determined for each eligible hospital under paragraph d. or e., as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the 1998-99 payment adjustment year. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph a. by the aggregate sum determined under paragraph f. Except, however, the amount determined for a hospital under paragraph d. or e., as applicable, shall not be increased such that it would exceed the OBRA 1993 payment limitation for the hospital, and, where such would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amounts for all hospitals equals the amount set forth in paragraph a.
- h. With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the amount determined under paragraph d. or e., as applicable, shall be reduced by an amount equal to the amount paid or payable to the hospital under subsection 4 of Section L., prior to applying the OBRA 1993 payment limitation under paragraph g. Notwithstanding the preceding sentence, all other computations under paragraph g., including the determination of the hospital's pro rata share of any reallocations, shall be made as though the reduction described in the preceding sentence had not occurred.
- i. The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph g. shall be further adjusted as follows:

(1) Nonpublic/converted hospitals.

- (a) For each eligible hospital that meets the definition of a nonpublic/converted hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic/converted hospital adjustment factor." The applicable adjustment factor shall be that which is necessary to result for each such hospital in an amount equal to the amount used for the particular hospital under paragraph f.
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998-99 payment adjustment year, which shall be paid to the hospital in accordance with paragraph j.

(2) Converted Hospitals.

- (a) For each eligible hospital that meets the definition of a converted hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "converted hospital adjustment factor." The applicable adjustment factor shall be that which is necessary to result for each such hospital in an amount equal to: (i) 80 percent of the hospital's annualized Medi-Cal inpatient paid days; multiplied by (ii) the total per diem composite amount determined for the hospital, the calculation of such per diem composite amount being restricted by a maximum low-income number of 40 percent for the hospital, regardless if the hospital's low-income number would otherwise be higher. In no case shall the product of this calculation exceed the amount used for the particular hospital under paragraph f.
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998-99 payment adjustment year, which shall be paid to the hospital in accordance with paragraph j.



(3) Nonpublic Hospitals.

- (a) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
  - (i) The tentative adjusted projected total payment adjustment amounts determined under paragraph g. for each nonpublic hospital described above shall be added together.
  - (ii) The amount identified in paragraph a. shall be divided by 2.347. The resulting figure shall then be reduced by the aggregate sums of the amounts determined for all nonpublic/converted hospitals under subparagraph (1) and the amounts determined for all converted hospitals under subparagraph (2).
  - (iii) The amount computed under subclause (ii) shall be divided by 2, and the result thereof further reduced by the amount of thirty-seven million five hundred thousand dollars (\$37,500,000).
  - (iv) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (iii) by the amount derived in subclause (i).
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the 1998-99 payment adjustment year, which shall be paid to the hospital in accordance with paragraph j. Except, however, in no case shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where such would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (iii) of clause (a).

(4) Public Hospitals.

- (a) For each eligible hospital that meets the definition of a public hospital as of July 1, 1998, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "public hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
  - (i) The tentative adjusted projected total payment adjustment amounts determined under paragraph g. for each public hospital described above shall be added together.
  - (ii) The amount identified in paragraph a. shall be reduced by the aggregate sums of the amounts determined for all nonpublic/converted hospitals under subparagraph (1), the amounts determined for all converted hospitals under subparagraph (2) and the amounts determined for all nonpublic hospitals under subparagraph (3).
  - (iii) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (ii) by the amount derived in subclause (i).
- (b) The product determined for each hospital under clause (a) shall be further adjusted as follows:
  - (i) The product shall be reduced as necessary so as not to exceed the hospital's OBRA 1993 payment limitation.
  - (ii) With respect to a public hospital that, as of July 1, 1998, is part of a county-operated health system of three or more eligible hospitals licensed to the county, the product shall, prior to the application of subclause (i), be reduced by an amount equal to the amount paid or payable to the hospital under subsection 4. of Section L.